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SUMMARY

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Canada
and
The
Netherlands



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Foreword

The Agreement on Social Security between Canada and the Netherlands was signed on February 26, 1987, and came into force on October 1, 1990.

This summary describes in general terms how the Agreement may help individuals qualify for Canadian or Netherlands benefits. It is intended for persons residing in Canada.

It should be noted that, in addition to the entitlement conditions for benefits outlined in this summary, other conditions may be stipulated in the social security laws of either country. Further information about the conditions for entitlement to Canadian benefits and how they affect a particular case may be obtained from any Client Service Centre of Income Security Programs Branch. The telephone number and address of the nearest centre can be found in the federal government listing of the telephone directory under "Health and Welfare Canada."

Only the Netherlands social security institutions can provide specific information on the entitlement conditions for Netherlands benefits and how they affect a particular case. To avoid delays or loss of benefits, persons who think they may be eligible for one of the Netherlands benefits described in this summary should submit an application. Information on how to apply is given in the last page of this summary.

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Introduction

The Agreement on Social Security between Canada and the Netherlands co-ordinates the operation of the Canadian and Netherlands programs, which protect individuals in the event of old age, retirement, disability or death. It has three basic objectives:

- (1) to ease or eliminate restrictions on the payment of social security benefits abroad;
- (2) to eliminate situations in which a worker may have to contribute to the social security programs of both countries for the same work;
- (3) to assist migrants in qualifying for benefits based on the periods they have lived or worked in each country.

The Canadian benefits included in the Agreement are those paid under the Old Age Security program and the Canada Pension Plan. These benefits are described in pages 1 to 7.

The Netherlands benefits included in the Agreement are the old age, survivors' and invalidity benefits payable under the Netherlands social security system. These benefits are described in pages 8 to 12.

Canadian Old Age Security Benefits

Canada's Old Age Security Act provides for three benefits: the basic pension, the Guaranteed Income Supplement and the Spouse's Allowance.

The Old Age Security Pension

The basic Old Age Security pension is a monthly benefit paid to persons who have reached the age of 65 and who meet the residence requirements. For receipt of the

pension in Canada, this requirement is a minimum of 10 years of residence in Canada after reaching age 18. For indefinite receipt of the pension abroad (including the case of a person applying for a pension while residing abroad), the requirement is a minimum of 20 years of residence in Canada after reaching age 18. A person who is receiving a pension in Canada but who has not completed 20 years of residence may, on leaving Canada, receive the pension only for the month of departure and for the six following months.

Through the Agreement, an individual who has at least one year of residence in Canada after reaching age 18, but not residence of sufficient length to be entitled to an Old Age Security pension, may use periods of insurance under the social security system of the Netherlands (generally speaking, periods of residence after reaching age 15 or periods of employment) to satisfy the entitlement conditions for a pension. For example, a person who has resided in Canada for nine years after reaching age 18 may qualify for a pension payable in Canada if he or she has resided in the Netherlands for at least one year after reaching age 15.

As well, through the Agreement, a person who has resided in Canada for at least one year after December 31, 1956, but who has not completed the 20 years required for receipt of the Old Age Security pension abroad on an indefinite basis, may use periods of insurance in the Netherlands to satisfy the 20-year condition.

The Guaranteed Income Supplement

The Guaranteed Income Supplement is a monthly benefit payable, in addition to an Old Age Security pension, to a beneficiary who has little or no income other than the basic Old Age Security pension. The supplement is essentially payable only to residents

of Canada. However, if a recipient leaves Canada, it may be paid abroad for the month of departure and for the six following months.

The Spouse's Allowance

The Spouse's Allowance is a monthly benefit payable to the 60- to 64-year-old spouse of a beneficiary of the Guaranteed Income Supplement and to a widowed person in the same age group who has little or no personal income. At age 65, the Spouse's Allowance is replaced by the Old Age Security pension. At least 10 years of residence in Canada after reaching age 18 are required to qualify for a Spouse's Allowance. Like the Guaranteed Income Supplement, the Spouse's Allowance is essentially payable only in Canada.

However, if a recipient leaves Canada, it may be paid abroad for the month of departure and for the six following months.

Through the Agreement, an individual who has at least one year of residence in Canada, but not the 10 years required to be entitled to a Spouse's Allowance, may use periods of insurance under the social security system of the Netherlands (generally speaking, periods of residence after reaching age 15 or periods of employment) to satisfy the 10-year condition.

Calculating Old Age Security Benefits under the Agreement

The amount of the Old Age Security pension payable under the Agreement is equal to 1/40th of a full pension for each complete year of residence in Canada after reaching age 18. It is calculated in the same way as is a partial pension under the Old Age Security Act if eligibility is established without recourse to an agreement.

The amount of the Spouse's Allowance is determined by the couple's income or, in the case of a widowed person, by the personal income of the beneficiary.

Payment of Old Age Security Benefits

Old Age Security benefits are paid by Health and Welfare Canada in Canadian funds directly to the beneficiary, whether he or she lives in Canada or abroad.

Canada Pension Plan Benefits

The Canada Pension Plan provides benefits in the event of the retirement, disability or death of a contributor. The Plan, which began operation in 1966, covers virtually all persons engaged in paid employment or self-employment in Canada, except in Quebec, where a similar plan, the Quebec Pension Plan, is in effect.

Canada Pension Plan benefits may be paid anywhere in the world without any restriction whatsoever.

The Canada Pension Plan Retirement Pension

A retirement pension is a monthly benefit payable to a contributor who has reached retirement age and who has made contributions to the Plan in at least one year.

The normal retirement age is 65. A person who has reached this age may receive a retirement pension even if he or she is still working. A retirement pension may also be paid to a contributor aged between 60 and 64 who has completely ceased paid employment or whose employment earnings, at an annual rate, do not exceed the amount of the maximum annual retirement pension payable to a person whose pension begins at age 65.

If an individual starts to receive a retirement pension before age 65, the pension is reduced by 0.5 percent for each month

between the month the pension begins and the month of the person's 65th birthday. The reduction is permanent. Conversely, if the pension starts after the individual reaches age 65, it is increased in a comparable manner.

Canada Pension Plan Disability Benefits

A disability pension is a monthly benefit payable to a contributor who is disabled and who has made contributions to the Plan in at least five of the ten or in two of the three calendar years immediately preceding disablement.

A contributor is considered to be disabled if he or she has a physical or mental disability which is both severe and prolonged. "Severe" means that the individual cannot regularly pursue any substantially gainful occupation. "Prolonged" means that the disability is likely to be continued and of indefinite duration, or is likely to result in death.

A monthly child's benefit is also payable for each dependent child of a disabled contributor. The child must be under age 18, or age 18 or older but under age 25 and in full-time attendance at school or university.

Through the Agreement, a person who has some periods of contributions to the Canada Pension Plan, but who has not made sufficient contributions in the years immediately preceding disablement, may use periods of insurance under the social security system of the Netherlands (generally speaking, periods of residence after reaching age 15 or periods of employment) to satisfy the conditions for entitlement to a Canada Pension Plan disability benefit.

Canada Pension Plan Survivors' Benefits

A surviving spouse's pension is a monthly benefit payable to the surviving spouse of a deceased contributor who has made contributions to the Plan for a minimum period (between three and ten calendar years, depending on the age of the contributor at the time of death). Surviving spouse's pensions are payable on the same conditions to widows and widowers. They are payable even if the surviving spouse remarries.

The "surviving spouse of the contributor" is the person of the opposite sex living with the contributor in a conjugal relationship (whether or not there was a marriage) at the time of death or, if there is no such person, the legal spouse (even if that legal spouse was not living with the contributor at the time of death). If the surviving spouse and deceased contributor were not legally married, they must have lived together for at least one year.

To qualify for a benefit, a surviving spouse who is under age 35 at the time of the contributor's death must be caring for a child of the contributor, or disabled as defined by the Canada Pension Plan.

A monthly orphan's benefit is also payable for each dependent child of the deceased contributor. The child must be under age 18, or age 18 or older but under age 25 and in full-time attendance at school or university.

A death benefit is payable to the estate of a deceased contributor who has made contributions to the Plan for a minimum period (between three and ten calendar years, depending on age at the time of death).

Through the Agreement, when a spouse or a child is not entitled to a survivor's benefit because the deceased had not completed sufficient periods of contributions to the Canada Pension Plan, periods during which the deceased was insured under the

social security system of the Netherlands (generally speaking, periods of residence after reaching age 15 or periods of employment) may be used to satisfy the conditions for entitlement to a Canada Pension Plan survivor's benefit.

Calculating Canada Pension Plan Benefits under the Agreement

The retirement pension, the surviving spouse's pension payable at age 65 and the death benefit are based on the earnings of the contributor while under the Canada Pension Plan and on the number of years of contributions to the Plan. The disability pension and the surviving spouse's pension payable before age 65 are composed of two parts: a benefit related to the earnings of the contributor and a flat-rate benefit. Benefits paid on behalf of a contributor's children are all flat-rate.

If entitlement to a Canada Pension Plan benefit is established under the Agreement, the flat-rate component is calculated in proportion to the periods during which contributions were made to the Plan relative to the minimum period of contributions required for entitlement to the benefit. The earnings-related component is calculated in the same way as is a benefit which is paid without recourse to the Agreement.

Payment of Canada Pension Plan Benefits

Canada Pension Plan benefits are paid by Health and Welfare Canada in Canadian funds directly to the beneficiary, whether he or she lives in Canada or abroad.

The Netherlands Benefits Included in the Agreement

Old Age Pension

A Netherlands old age pension is a monthly benefit payable to a person who has reached age 65. Receipt of the benefit is not conditional on retirement from employment.

The amount of the benefit is determined on the basis of the person's periods of residence in the Netherlands, marital status and, in the case of a single pensioner, whether there are any unmarried children under age 18 in his or her care. Fifty years of residence in the Netherlands between the ages of 15 and 65 and after January 1, 1957, are required before a full pension can be paid. A person who has less than 50 years may receive a partial pension, calculated at the rate of two percent of a full pension for each year of residence.

Since people who were already over age 15 in January 1957 did not have an opportunity to complete 50 years of residence before reaching age 65, the Netherlands legislation contains special rules which allow these people to receive credit for years of residence from their 15th birthday to January 1957. In the absence of a social security agreement, these rules only apply to nationals of the Netherlands who reside in that country when applying for a pension.

Through the Agreement, a Canadian citizen residing in Canada or the Netherlands, or a Netherlands national residing in Canada, will now be able to have periods of residence in the Netherlands prior to January 1, 1957 and after reaching the age of 15 counted in the calculation of a Netherlands old age pension. For this to happen, however, the person must also have resided in the Netherlands at some time since January 1, 1957. Moreover, he or she

must have resided in the Netherlands or Canada or both for six years after reaching the age of 59.

It is to be noted that this right extends only to Canadian citizens, Netherlands nationals, refugees and stateless persons. Furthermore, the part of the pension based on periods prior to January 1, 1957, will only be paid while the person is residing in Canada or the Netherlands.

Survivors' Benefits

A *survivor's pension* is a monthly pension payable to a widow or widower under 65 years of age whose deceased spouse was legally resident or employed in the Netherlands at the time of death. In order to qualify, the surviving spouse must

- have an unmarried child under age 18 or, in the case of a widow, be pregnant at the time of her husband's death, or
- be at least 40 years old at the time of the spouse's death, or
- be at least age 35 with a child who was unmarried for a portion of the time after the surviving spouse reached age 35 and before being widowed, or
- be disabled.

The amount of survivor's pension varies depending on whether the surviving spouse has any unmarried children under age 18.

A *temporary survivor's benefit* is payable to a surviving spouse who does not qualify for a survivor's pension. The benefit is equal to the standard rate of a single person's old age pension and is paid for six months plus one month for each year by which the surviving spouse is over the age of 26, up to a maximum of 19 months.

An *orphan's pension* is payable to a child under the age of 16, or under the age of 27 if disabled or in full-time education, provided that both parents are deceased and the last-deceased parent was, at the time of his or her death, legally resident or employed in the Netherlands.

If necessary to fulfill the conditions of the Netherlands legislation requiring that the deceased have been legally resident or employed in the Netherlands at the time of death for establishing entitlement to a survivor's benefit, a Canadian citizen or a Netherlands national will be considered as having satisfied the condition if he or she is residing in Canada and is subject to the Canada Pension Plan at the time of death. As a result of this measure, it will now be possible for a Canadian citizen or a Netherlands national residing in Canada to apply for a partial survivor's benefit, provided that the deceased had been legally resident or employed in the Netherlands at some time after October 1, 1959, and after reaching age 15.

National Invalidity Pension

A *national invalidity pension* is a monthly benefit payable to a person aged 18 or over but less than 65 who is legally resident in the Netherlands at the onset of disability. To qualify for a benefit, the person must be at least 25 percent disabled and must have been continuously incapacitated for the previous 52 weeks. In addition, the person must have been employed or self-employed in the Netherlands with earnings over a prescribed level in the year prior to the onset of disability. Certain categories of persons, such as students and self-employed persons who earn little or no income, are automatically deemed to have earned at least the required level of income. The amount of benefit is calculated as a percentage, which varies according to the degree of disability, of a fixed amount called the "basic amount" equal to the gross minimum wage.

If necessary to fulfill the condition of the Netherlands legislation requiring that a person be resident in the Netherlands at the onset of disability for entitlement to an invalidity benefit, a Canadian citizen or a Netherlands national will be considered as

having satisfied the condition if he or she is residing in Canada and is subject to the Canada Pension Plan at the time of becoming disabled.

Employment Invalidity Pension

An *employment invalidity pension* is a monthly benefit payable to a person aged 18 or over but less than 65 who is at least 15 percent disabled and who is employed in the Netherlands at the onset of disability. A benefit becomes payable after an uninterrupted period of 52 weeks of disability. The pension is intended to make up for part of the lost salary *not* covered by the general residence-based national invalidity pension. The amount of benefit payable depends on the degree of invalidity and the person's insurable daily earnings which are subject to a ceiling. The pension may be supplemented by the national invalidity pension if the latter is higher.

Through the Agreement, the condition of the Netherlands legislation requiring that a person be employed in the Netherlands at the onset of disability for entitlement to an employment invalidity pension will be considered satisfied if the person is residing in Canada and is subject to the Canada Pension Plan at the onset of disability.

Calculating Netherlands Benefits under the Agreement

If entitlement to a Netherlands invalidity or survivor's benefit is established by using the provisions of the Agreement, the benefit payable will be determined on the basis of the ratio of the periods of insurance completed under the Netherlands social security system (generally speaking, periods of residence after reaching age 15 or periods of employment) to the sum of the periods of insurance in both countries prior to disability or death. For this purpose, periods of insurance in Canada include periods of

contributions to the Canada Pension Plan and periods of residence in Canada recognized for Old Age Security purposes.

An old age pension, as provided by the Netherlands legislation, will be calculated exclusively on the basis of the periods of insurance (generally speaking, periods of residence after reaching age 15 or periods of employment) completed by a person in the Netherlands.

Payment of Netherlands Benefits

Netherlands benefits are paid by the Netherlands social security institutions directly to the beneficiary, whether he or she lives in Canada, the Netherlands, or elsewhere.

Determining the Applicable Legislation

Without an agreement, a person might be required to contribute both to the Canada Pension Plan and to the Netherlands social security system for the same work. The Agreement on Social Security between Canada and the Netherlands eliminates such situations of "dual coverage."

General Rule

Under the Agreement, an employee is normally subject only to the legislation of the country in which he or she works and is, therefore, exempt from contributions under the legislation of the other country for the same work.

Temporary Postings in the Netherlands

An exception to the general rule applies in the case of a "detached worker" (e.g., an employee who normally works in Canada and is covered under the Canada Pension Plan in respect of that work, and who is sent by his or her employer to work in the Netherlands on a temporary basis). Under the Agreement, such a worker is able to continue his or her coverage under the Canada Pension Plan for a period of 24 months and, while this coverage remains in effect, is exempt from social security contributions to the Netherlands system for the same work.

Government Employment

Another exception to the general rule applies to persons in government employment for one of the countries who perform their duties in the other country. They are normally subject to the social security laws of the latter country only if they are citizens or permanent residents of that country.

Residence under the Old Age Security Act

In addition to the coverage provisions just described, the Agreement between Canada and the Netherlands contains another provision ensuring that a person who is covered under the Canada or Quebec Pension Plan while residing in the Netherlands is also covered by the Old Age Security Act, which is usually based only on residence in Canada. Thus, during that period, complete coverage is afforded under Canadian legislation. Conversely, a person who is residing and working in Canada and is subject to the social security legislation of the Netherlands does not have those periods considered as periods of residence for purposes of the Old Age Security Act.

More Information Concerning Contributions

Revenue Canada, Taxation, administers the provisions of the Canada Pension Plan relating to the making of contributions. Questions regarding the obligation of an employee, an employer or a self-employed person to contribute to the Canada Pension Plan as a result of the Canada-Netherlands Agreement, as well as questions concerning continued coverage under the Plan while temporarily posted to work in the Netherlands, should be addressed to:

Source Deductions Division
Revenue Canada, Taxation
OTTAWA, Ontario
K1A 0L8

Applying for Benefits under the Agreement

Additional information about the Agreement and assistance in applying for any of the Canadian or the Netherlands benefits described in this summary are available from any Client Service Centre of Income Security Programs Branch. The telephone number and address of the nearest Centre can be found in the federal government listing of the telephone directory under "Health and Welfare Canada." Alternatively, inquiries may be addressed to:

Director
International Operations
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